



WRITTEN TESTIMONY

OF

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ON BEHALF OF THE
STATE OF UTAH AND APHSA**

**BEFORE THE HOUSE WAYS AND MEANS
SUBCOMMITTEE ON HUMAN RESOURCES**

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Good afternoon, Mr. Chairman and members of the Subcommittee. I am Robin Arnold-Williams, Executive Director of the Utah Department of Human Services. Today I am testifying on behalf of the state of Utah and on behalf of the American Public Human Services Association (APHSA), a nonprofit, bipartisan organization representing state and local human service professionals for more than 70 years. Thank you for the opportunity to testify today on the reauthorization of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

The National Welfare Reform Success

It is important to note that prior to the enactment of welfare reform, AFDC caseloads were soaring and families were trapped in a pattern of dependency that few believed could be reversed. Despite poor family outcomes, for decades rigid federal rules prevented state administrators from implementing innovative approaches to help families in need. Under AFDC, states could give families little more than a check to help them provide for their children. Families faced a financial cliff if they moved from welfare to work because federal rules discouraged work.

In an attempt to break free from federal restrictions, by the mid-1990s, 48 states, including my own, were operating their AFDC programs under federal waiver demonstration programs. Work was the hallmark of early welfare reform experiments, and by 1996 it became clear that states were in a better position than the federal government to achieve success in this area. Under the federal welfare reform law of 1996, states were challenged to achieve new goals under the Temporary Assistance for Needy Families Program—like mandatory work participation requirements and lifetime time limits—with fixed federal funding in a block grant. States accepted the challenge of meeting these new goals within the funding parameters, because the new law also afforded them tremendous flexibility to achieve those goals.

States have achieved unprecedented success in implementing welfare reform, such as increased private-sector employment, decreased dependency on cash benefits, expanded child care services, escalating child support collections, and declining poverty. For example, employment rates for never-married mothers increased by 40 percent over the past five years, reaching an all-time high in 2000. Sixty-six percent of TANF mothers are working for 30 hours a week in private-sector employment and an additional 12 percent of them are actively looking for work. Sixty percent of the TANF mothers who left cash assistance are holding jobs. And to support those families with work, between 1996 and 1999 there was an 80 percent increase in the number of children receiving a monthly child care subsidy. Paternity establishment has exceeded all expectations and the number of child support cases with collections has doubled since 1996.

The flexibility afforded to states spawned innovation at the local level as well; new partnerships were forged with businesses, community agencies, tribal governments, and faith-based providers to support welfare families in their transition from welfare to work.

In 1996, Congress may have envisioned 50 different state TANF programs, but in fact today there are thousands of partnerships in thousands of communities sharing in the implementation of the welfare law.

Utah's Success

In 1993, Utah received a federal waiver to launch its welfare reform program that was designed to increase income through earnings and child support. Utah's strategy is a departure from AFDC; the focus is placed on universal engagement in activities leading to employment, a self-sufficiency plan, and full-family case closure for nonparticipation. Utah achieved great success in moving families off of welfare and into work through an individualized case assessment, diversion assistance, employment and training, on-going case management and aggressive child support collection efforts. When the federal welfare law was enacted, Utah implemented a 36-month lifetime time limit with extensions for those who are medically unable to work; victims of domestic violence; parents caring for the medical needs of a dependent; or unable to complete education or training programs due to state inability to deliver needed services. Month to month extensions are also granted for those employed at least part-time.

Since 1996, Utah's welfare caseload has declined 44 percent to a low of 7,990 in June 2001. Caseloads began increasing slightly in fall 2001 due to the recent economic downturn. The January 2002 caseload stood at 8656 – an 8.3 percent increase over the June 2001 level. But the true success of our program cannot be captured in caseload statistics or work participation rates. Utah's success is best measured by the number of TANF families who entered employment. We are particularly proud of the fact that in FY 2000, Utah received a federal High Performance Bonus for job placement and in FY 2001, received a second High Performance Bonus award for our ability to retain our former TANF clients in employment. Utah has a universal engagement strategy for all clients receiving assistance, but our ultimate goal has been private-sector employment through training, on-going counseling, and aggressive job search. We have not focused our resources on developing community work experience programs or community service.

Pending Reauthorization Proposals

First, on behalf of APHSA I would like to express our support for many of the President's welfare reform proposal outlined in the document, "Working Towards Independence." Specifically, APHSA is grateful for the President's bold leadership in maintaining the present level of TANF block grant funding, and for his recognition of the demands on high poverty and high population growth states by restoring the TANF supplemental grants. Between 1990 and 2000, Utah was the fourth fastest growing state in the country and we appreciate the recognition of the impact this growth has on service needs. In addition, we enthusiastically support other financing measures included in the president's proposal, such as;

- continuing and improving the TANF contingency fund;
- removing the restriction on unobligated TANF funds;

- excluding child care and transportation from the definition of assistance;
- creating state “rainy day funds” using unobligated TANF funds;
- continuing the transfer of 30 percent of TANF funds to the Child Care Development Fund; and
- restoring the full transfer authority into the Social Services Block Grant. APHSA urges the immediate restoration of transfer authority of up to 10 percent of TANF funds and a funding level of \$2.8 billion annually, as provided in the original 1996 welfare law.

These provisions will dramatically increase state and local flexibility in the administration of the TANF program and we urge this subcommittee and Congress to include these provisions in TANF reauthorization legislation.

We understand that there were pressures to include earmarks in the TANF block grant for various initiatives and we are grateful to the President for proposing a block grant free from any so-called “set-asides” that would restrict state and local flexibility.

We strongly support the President's proposal to eliminate the Two-Parent Family Work Participation rate. We recognize that Congress may act to eliminate the caseload reduction credit and therefore, we support the President's proposal to phase-out the credit over time. We support the President's proposal to continue state authority to exempt up to 20 percent of their TANF caseload from the lifetime time limit on federal cash assistance payments.

We support the President's proposal to provide technical assistance to the tribes who currently operate Tribal TANF programs as well as assistance to those tribes interested in administering their own programs.

We support the President's focus on child well-being and the reauthorization of the Abstinence Education Program. We believe the proposal to fund research, demonstration and technical assistance programs related to marriage and family formation is superior to a federal mandate on states to spend a certain percentage of the TANF block grant on such efforts. In my state of Utah, we have engaged community, business and religious leaders for several years in an effort to strengthen marriage and prevent family disintegration. These efforts, in my view, are most effective when government is one of many partners in a community-wide effort to invest in and support families.

With respect to child support enforcement, we support proposals, such as those put forth by the President, that would give states the option to simplify their child support distribution systems and passthrough more support to families, with the federal government sharing in these costs.

The President's proposal also included recommendations to improve the federal Food Stamp Program. We support efforts to simplify program administration; allow families

to own a vehicle; restore benefits to non-citizens and eliminate the cost-neutrality criterion on state Electronic Benefit Transfer Programs.

We are supportive of the President's objective to provide states with greater flexibility to manage federal programs together to better serve families. The Program Integration waivers have the potential to move performance goals from process measures to outcome measures. We are anxious to learn more details about eligible programs and the waiver administration, particularly the rules pertaining to cost neutrality--a criterion that in previous years, proved to be a serious obstacle to waiver implementation.

Finally, with respect to the work proposals contained in the President's reauthorization plan, we support maintaining work as the primary focus of the TANF program. Work is the centerpiece of state welfare reform efforts across this country as it was the hallmark of the early welfare reform demonstrations of the early 1990s. We support the objective to set new effort to improve state performance with respect to work. And we look forward to working with the Administration and Congress to set new outcomes for the TANF program that would enhance, rather than refocus state efforts in this area.

Principles of Reauthorization

As Congress considers reauthorization of welfare reform, continued state success is contingent upon four factors: (1) maintaining and enhancing the flexibility of the TANF block grant; (2) maintaining an adequate level of federal support for the block grant and related programs; (3) maintaining work as a key focus of welfare reform and, (4) simplifying and aligning federal program rules and goals.

Maintaining and Enhancing Flexibility. States are afforded great flexibility to design TANF programs that meet their individual goals and respect the diversity of each state and its citizenry. Over the past five years, we have learned that the TANF caseload is both dynamic and diverse. Private-sector employment should continue to be the goal of the TANF program participants. States also need continued flexibility to design programs and innovative approaches to meet the changing needs of the families served by their programs. In addition to work, TANF programs provide support to fragile families struggling to support their children; promote family well-being; provide child care services and early childhood development programs; improve parenting skills and support and preserve families; extend employment and training opportunities to noncustodial parents; support two-parent families; prevent teen pregnancy; and provide services to youths to prevent intergenerational dependence on government assistance. All of these TANF investments are critical to ensure the continued success of welfare reform.

There is broad agreement that welfare reform has been a success, and we urge Congress to continue to support that success. States have committed TANF resources in support of their state priorities and in compliance with federal goals and objectives. And thousands of community partnerships are involved in the implementation of those priorities. APHSA urges Congress to reject any changes in the TANF statute that would require states to abandon their goals and redirect their limited TANF resources to meet process

measures, penalties, or purposes that are inconsistent with states' successful welfare reform strategies. We urge Congress to set broad goals for the reauthorization of welfare reform and afford states with the flexibility to devise their own strategies to meet those outcomes.

We ask the Subcommittee to minimize the burden placed on states to report unnecessary and costly data reporting requirements. The information technology changes and increased administrative costs associated with such requirement could be better expended on provided services to families in need.

Maintaining Adequate TANF and Related Program Funding. After an initial start-up transition period from the check-writing focus of AFDC to the work-focused TANF program, the majority of states are allocating their full TANF block grant this year and spending prior year dollars as well. According to the Congressional Budget Office, current TANF expenditures exceed the authorized level of funding by \$2 billion. APHSA supports maintaining the federal commitment to the TANF block grant and allowing for annual inflationary increases in the program in order to sustain services to low-income working families.

Maintaining the Work Focus. Long before Congress mandated work from welfare clients, states were implementing successful waiver demonstration projects with work as the focus. States have demonstrated that they could devise effective TANF strategies that moved more families from welfare to work than ever before in our nation's history. This record of success should offer Congress adequate evidence that states are focused on employment. And for those who are left on the cash assistance caseload, according to the most recent federal data, 77 percent of the families that count toward the participation rates are either in unsubsidized employment or looking for it. Only 11 percent are engaged in workfare activities. The data provide compelling evidence that states have placed their emphasis on "real" work.

Recent Senate and administration proposals have placed a renewed focus on TANF work participation rates, hours, and definitions. We urge this subcommittee to look at the welfare to work effort more broadly. TANF work participation rates only represent a very small part of the welfare-to-work story. The work participation rates only measure the number of families receiving cash assistance who are engaged in at least 30 hours of work activities. And in a time-limited welfare system, the families represented in the work rates are an ever-shrinking number.

The work participation rates do not include the thousands of families who receive TANF-funded child care or transportation that allows them to keep their private-sector jobs. The current rates do not include the TANF mother who works 29 hours or fewer in a private-sector job. Mothers, who hold private jobs and received short-term TANF assistance, such as car repair or assistance in paying their rent or utilities, are not included in the work rates. Nor are the hundreds of thousands of mothers who no longer receive cash assistance because they are earning a paycheck in the private sector.

Work rates may have been an appropriate measure when welfare reform was enacted in 1996, but today they are an outmoded and incomplete measure of state welfare-to-work efforts. APHSA recommends that states be afforded the option to choose between the process measures of participation rates and the high performance bonus outcome measures of job placement, retention, and earnings progression. At the very least, reauthorization legislation should place as much emphasis on the placement and retention of TANF clients in unsubsidized employment as it places on the work activity of those receiving cash.

The following proposed changes may require states to restructure their TANF strategies—eliminating the caseload reduction credit, increasing work participation rates, increasing required work hours to 40 per week, restricting work activities for 24 of the 40 hours, and eliminating federal waivers. States are in the process of evaluating the full effect of these potential changes on their programs. We urge the members of this subcommittee to reach out to your states to determine the full impact of such policy changes.

With respect to the caseload reduction credit, we recognize that Congress may not continue to allow states to be credited for a caseload decline based on 1995 data. However, if it is eliminated we recommend phasing out the caseload credit and replacing it with an employment credit. The new credit would provide an incentive for states to place and retain TANF clients in jobs with earnings; additional credit should be earned for providing short-term assistance to clients with earnings as well as for clients in part-time employment with earnings. As the caseload reduction credit is phased out over time, the improved employment credit would be phased in.

With respect to work participation rates, APHSA supports the president's proposal to include two-parent TANF families in the all families rate. And we also believe that TANF mothers, who have multiple barriers to overcome such as mental health, substance abuse, or learning disabilities, may need additional time to enter the workforce. States should be afforded additional flexibility in defining work activities so that they can place these clients in meaningful activities that increase the likelihood of long-term success in the workforce. In this respect, APHSA also supports continuing state welfare waivers.

With respect to increasing required hours of work to 40, the new requirement would have unintended effects and increased costs. First, it is important to note that in 27 states, TANF clients no longer qualify for cash benefits when they work 40 hours per week at the minimum wage. In 16 states, clients lose eligibility after 24 hours of work at \$7 per hour. In short, clients will exit welfare before they can be counted toward the participation rate. For example, if a TANF client loses eligibility when she works 28 hours at the minimum wage, the state would have to adjust eligibility rules in order to keep the family on cash long enough to count them. In a time-limited TANF program, this would be unfair to the client and contrary to our mission of moving families off assistance.

According to federal data, in FY 2000, TANF clients worked an average of 29 hours per week in all federal work categories. Increasing the number of required hours and work rates will increase the costs of child care and may require one or more additional child care arrangements. It may be necessary to either significantly increase TANF block grant funding or child care funding to support the new work requirements.

In states experiencing an economic slowdown and in rural or tribal areas, significant challenges may arise in implementing the proposed 24-hour requirement. Utah, for example, does not have the community worksite infrastructure to place families in the strict work activities as proposed. We are concerned that our employment counselors, who work to negotiate individualized employment plans, would shift to work site development and monitoring.

When considering changes to the work rates, we urge you to consider the potential impact on the millions of families served with TANF funds. States may be required to redirect program resources or face substantial financial penalties. States lose 5 percent of their block grant and must appropriate the equivalent amount of state funds to their program and the state maintenance-of-effort (MOE) requirement is increased by 5 percent. While there is an existing corrective compliance plan that might mitigate the financial penalty, the broader public message will be that the welfare reform program is a failure.

In the long run, neither rates, hours, nor activities matter for the families we serve. Rather, the ultimate goal of welfare reform is the transition from cash dependency to job retention and earnings progression—generating sufficient income to support a family free from welfare for a lifetime.

Over the past year, APHSA has worked with the National Council of American Indians to develop joint recommendations for Tribal TANF reauthorization. States and tribal governments share the goal of expanding employment and economic opportunities for tribal TANF families. We have endorsed direct and enhanced funding for tribes; new funding for technical assistance, infrastructure improvement, research, and program evaluation; access to contingency funds and performance bonuses; economic development assistance; and a strengthened partnership between federal, state, and tribal governments. We urge this subcommittee to consider these proposals.

Simplifying and Aligning Federal Program Rules and Goals. Conflicting federal program rules, restrictions, and requirements impede state administrators' ability to deliver critical services to families in need. For example, TANF program goals and objectives conflict with Food Stamp Program rules. Rigid eligibility requirements prescribed in the Workforce Investment Act and the Welfare to Work Program do not afford states with the opportunity to structure a continuum of employment and training services. As states move TANF clients from cash assistance, the resources to operate their child support program decrease significantly. Current federal funding for child welfare services creates perverse incentives to remove children from their homes rather than keep families together. Last year, APHSA published *Crossroads: New Directions in*

Social Policy, setting forth an agenda for the reform of a wide range of federal human service programs. We commend this document to your attention and urge consideration of our recommendations.

Child Care

Since the passage of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) in 1996, we have seen a dramatic increase in the number of families and children served as evidenced by the unprecedented growth in child care expenditures. Between 1996 and 1999, there was an 80% increase in the number of children receiving a monthly child care subsidy.

States have programmed every dollar available for child care. The child care story is a CCDF and TANF story. Since Fiscal Year (FY) 1997, we have doubled spending on child care. In FY 2000, states expended over \$9 billion in combined federal and state dollars on child care. This includes \$7 billion from the Child Care and Development Fund (CCDF) and TANF dollars transferred, plus \$2 billion in direct TANF spending. States have increased TANF spending on child care from \$189 million in FY 1997 to \$4.3 billion in FY 2000. TANF funds spent on child care exceeded the entire federal portion of the CCDF allocation in FY 2000.

Under CCDF, states have met or exceeded the 100% maintenance-of-effort requirement each year. States have drawn down all matching funds and have obligated all mandatory and discretionary funds.

The simplicity introduced with the Child Care and Development Block Grant has greatly contributed to state child care successes.

APHSA supports the need for flexibility in the CCDF that permits states to design child care plans that balance the expansion of services and new quality of care initiatives. To that end, state administrators oppose creating new mandatory set-asides of funding and increasing current ones. CCDBG was created in part to simplify what was a myriad of child care programs with little flexibility. We have demonstrated that we can achieve much more under the current program. Let us not move backwards by adding more strings to the program and impeding states' abilities to meet parental needs in a changing employment environment.

APHSA also advocates flexibility in programming by transferring funds to CCDF. We support permitting states to transfer up to 10% of their TANF block grant to the Social Services Block Grant (SSBG), a key source of funding for child care. APHSA also backs the preservation of state authority to transfer up to 30% of the TANF block grant into CCDF and the ability to spend TANF funds directly on child care.

APHSA believes that the funding currently in the system should remain in the system. States are concerned that increased TANF caseloads during the current economic recession may reduce the amount of TANF funds available for child care. In addition, if

Congress mandates new TANF work requirements, then federal child care funding must increase as well. We need \$4 billion in addition to the CCDF funding to maintain our current investment. If Congress wants states to increase quality and increase access, then additional funds will also be needed.

APHSA supports maintaining the state's option to draw down these funds by a matching fund formula to make unmatched dollars available to other states at the close of a fiscal year. APHSA calls for a statutory change to allow donated funds from private sources to count toward maintenance of effort when funds benefit the donors' facility or use.

States continue to have strong concerns about using 85% of the state median income as an eligibility standard. Federal funding has not been provided in order to furnish child care services to this population deemed federally eligible. In light of the fixed funding available for child care, we believe strongly that program eligibility be determined at state and local levels.

Demand for different types of child care is growing as well. We need more funding to help increase access and quality within nontraditional hours for child care. We also need additional resources to create greater access and quality for children with special needs who require child care. Expanded access and quality require financial investment. In a block grant, reaching a balance between these objectives must be accomplished at the state and local levels. We oppose increasing or expanding quality set-asides before we have agreed that we have sufficient resources to expand access to all families in need of such support.

Finally, with respect to child care data reporting requirements, the system must be simplified. The aggregate data collection report asks elements repetitive of other required reports and should be eliminated. The case-level data collection report needs to be amended to contain elements that actually inform programming needs. States should also be allowed the option of requiring a social security number for receipt of benefits under CCDF to increase the ability to offer cross-programming opportunities.

Child Welfare

APHSA believes that now is the ideal time to address child welfare issues related to the TANF program. To meet current challenges, additional requirements posed by the Adoption and Safe Families Act, increased expectations of state performance, and to sustain and expand the significant progress that has been made in assisting children who have been abused or neglected and their families, states will require greater flexibility in using current funding or increased resources in the form of new federal investments, and an increased capacity to get the job done. APHSA supports increased flexibility within the entitlement structure, with additional federal investments, while maintaining state accountability and the statutory protections for children. Our recommendations for child welfare reform at this time consists of three specific points, 1) Fixing the AFDC "Look Back," 2) Reauthorization of the Title IV-E Child Welfare Waiver Demonstration Program and 3) Increased flexibility in Title IV-E funding.

APHSA believes that income eligibility as a criterion to determine who among the children placed in foster care or subsidized adoption is eligible for federally reimbursed foster care and adoption assistance under Title IV-E should be eliminated. Under the welfare reform law, states are required to "look back" to old AFDC rules in effect on July 16, 1996, to determine Title IV-E eligibility. Not only is this administratively burdensome, but as the law does not allow the income standards in effect on July 16, 1996 to grow with inflation, eligibility for federal reimbursement will continue to decrease over time, resulting in a loss of federal funding to states. It is only reasonable that federal funds be provided for the care of all children in foster care.

In order to maintain needed flexibility in child welfare, the current Title IV-E Child Welfare Demonstration Waiver program, which expires this fiscal year, must be expanded and made more flexible. The National Council of State Human Service Administrators (NCSHSA) recently reaffirmed earlier policy stating that substantial modifications should be made to the Title IV-E waiver process to allow more flexibility, a broader scope, and to foster system change in child welfare. Specifically, the program should be reauthorized for five years with additional state flexibility including expanding the limited number of waivers and the number of states that may conduct waivers on the same topic.

APHSA believes that states should be allowed to use Title IV-E funds for services other than foster care maintenance payments, such as front end, reunification, or post-adoption services for children who come to the attention of the child welfare system. Title IV-E should be amended to give states the option to redirect federal revenue for Title IV-E maintenance payments into their Title IV-B programs, thereby providing states with the flexibility to reinvest federal revenue into other child welfare services whenever foster care is reduced, while maintaining accountability for outcomes. If states had up-front funding to reinvest foster care expenditures in the kinds of services that reduce the need for foster care, better outcomes could be achieved while allowing more efficient use of current resources.

Child Support

States have shown remarkable achievement in implementing the child support provisions contained in the welfare reform act. The percentage of child support cases with orders that had collections increased from 34 percent in 1995 to 68 percent in 2000. Total paternities established and acknowledged increased from 931,000 in 1995 to 1.556 million in 2000.

We believe that child support should be included in TANF reauthorization discussions in light of the key role that child support plays in promoting self-sufficiency. The current system for distributing child support arrears collected on behalf of families that have left welfare is complicated and confusing. The assignment and distribution of arrears depends on what year the arrears accrued, whether the family was on welfare, and by what method the arrears were collected. If a family never received TANF, AFDC, or Medicaid, all of

the child support collected by the state child support agency, including arrearages, goes to the family. While a family is receiving TANF benefits, the state can keep any child support it collects, regardless of how it is collected, to reimburse itself for the family's benefits.

For families that formerly received public assistance, the rules are more complex. For former recipients of public assistance, welfare reform legislation created a more "family friendly" distribution policy. In general, once a family leaves TANF, if the state collects child support for the family, the state must give the family any current child support as well as arrearages that have built up after the family left TANF and any arrearages that built up before the family received TANF before it reimburses itself for assistance costs.

States have spent many resources programming computers to keep track of the many "buckets" of support, determining whether an arrearage accrued before assistance, during assistance, or after assistance; whether it is permanently assigned, never assigned, temporarily assigned, conditionally assigned, unassigned during assistance, or unassigned before assistance; and whether it was collected by the tax refund intercept program, by levy of a bank account, or by other methods. Many state personnel believe that the complexity of the system contributes to more errors and creates more difficulty in explaining payments to clients.

The complicated distribution system is a burden on state child support programs. Staff has spent considerable resources programming computer systems to properly distribute child support. Maintaining these systems requires continued staff resources. In addition, families find the current distribution system hard to understand. The fact that an arrearage payment goes to the state rather than the family just because it was collected through the tax intercept program does not make intuitive sense, and states must devote staff to answer questions related to the current distribution rules. Such complexity adds to the sense of arbitrariness of the program and reduces public support for it.

We support proposals, such as those put forth by the President, that would give states the option to simplify their child support distribution systems and passthrough more support to families, with the federal government sharing in these costs.

Concluding Comments

In order to achieve program outcomes, inspire state innovation, and leverage scarce program resources, funding streams should be flexible, program eligibility and federal funding restrictions should be simplified and the values underpinning the programs should be aligned as well. In the end, the success of human service programs will be measured by the health and well-being of America's children, families, and adult; by their reduced dependence on government assistance; and by self-sufficiency for generations to come.

Thank you for the opportunity to testify. I would be happy to respond to any questions you may have.

